



BRITISH COLUMBIA'S HOUSING AFFORDABILITY IMPROVES FOR THIRD CONSECUTIVE QUARTER: RBC ECONOMICS

Vancouver remains the least affordable market in Canada

TORONTO, May 23, 2013 — While it continues to be the country's priciest province in which to own a home at current prices, British Columbia's housing affordability saw some improvements for the third consecutive quarter, in the first quarter of 2013, according to the latest [Housing Trends and Affordability Report](#) released today by RBC Economics Research.

"The cumulative affordability improvement across British Columbia in the past year has been the biggest among the provinces, which is a good news story," said Craig Wright, senior vice-president and chief economist, RBC. "That said, the Vancouver-area's affordability remains extremely poor and continues to weigh on the overall provincial housing market."

The RBC report notes that poor affordability levels were a key factor that left provincial home resales at more than 30 per cent below the 10-year average for the quarter. This is the fifth-consecutive quarter in which home resales fell in British Columbia. RBC notes that B.C. is the only province where prices declined year-over-year in all three housing types tracked.

RBC's housing affordability measures, which capture the province's proportion of pre-tax household income needed to service the costs of owning a home at market values, declined across two out of three housing types tracked in the first quarter (a decrease in the measure represents an improvement in affordability). The RBC measure fell for the benchmark detached bungalow by 0.4 percentage points to 65.9 per cent, while the two-storey home category saw a decline of 1.3 percentage points to 71.3 per cent. Standard condominiums remained unchanged at 33.4 per cent.

After dizzying slide, Vancouver-area home resales stabilize

By the third quarter of 2012, home resales in the Vancouver-area slumped to levels 40 per cent below their 10-year average, which raised fears that the market could be headed for the lows seen during the 2008-09 recession. While developments at the tail end of 2012 and early 2013 may not give a definitive answer, RBC says things appear to be stabilizing.

"The dizzying slide in resales in Vancouver steadied in the latest two quarters, though the price correction may not be over," said Wright. "Buyers continue to hold the upper hand in the area and market conditions are unlikely to tighten meaningfully in the short-term."

Though first quarter affordability measures declined slightly, Vancouver continues to be the least affordable market in Canada. First quarter RBC affordability measures for Vancouver increased 0.1 percentage points to 82.3 per cent for detached bungalows, decreased 0.2 percentage points to 41.6 per cent for condominium apartments and eased 0.6 percentage points to 87.2 per cent for two-storey homes.

RBC's housing affordability measure for the benchmark detached bungalow in Canada's largest cities is as follows: Vancouver 82.3 per cent (up 0.1 percentage points from the previous quarter); Toronto 53.8 per cent (up 0.8 percentage points); Montreal 40.1 per cent (up 0.6 percentage points); Ottawa 39.1 per cent (up 0.1 percentage points); Calgary 38.7 per cent (up 0.8 percentage points); Edmonton 30.4 per cent (down 0.2 percentage points).

The RBC Housing Affordability Measure, which has been compiled since 1985, is based on the costs of owning a detached bungalow (a reasonable property benchmark for the housing market in Canada) at market value. Alternative housing types are also presented, including a standard two-storey home and a standard condominium apartment. The higher the reading, the more difficult it is to afford a home at market values. For example, an affordability reading of 50 per cent means that homeownership costs, including mortgage payments, utilities and property taxes, would take up 50 per cent of a typical household's monthly pre-tax income.

Highlights from across Canada:

- **Alberta**: slight erosion in affordability does little to deter homebuyers
High household incomes in the province kept homebuyers unfazed by the slight erosion in affordability in the first quarter. Alberta's housing market remains a bright spot in Canada despite the fact that affordability measures rose slightly by 0.2 percentage points across all housing types tracked by RBC.
- **Saskatchewan**: biggest affordability improvement in Canada
Following a noticeable deterioration in the fourth quarter of 2012, Saskatchewan's affordability levels registered the largest improvement across Canada in kicking-off 2013. RBC measures fell by 1.7 percentage points for two-storey homes, 1.0 percentage point for bungalows and 0.3 percentage points for condominiums.
- **Manitoba**: second consecutive quarter of affordability deterioration
Manitoba's affordability levels deteriorated for the second straight quarter in the first quarter of 2013, though levels are still not considered dangerous for provincial homebuyers. The RBC measures rose modestly across all housing categories – up 0.8 percentage points for bungalows, 0.4 percentage points for condominiums and 0.2 percentage points for two-storey homes.

- **Ontario**: affordability conditions extend their recent trends
Ontario's affordability conditions in the first quarter of 2013 were by and large an extension of recent trends – a deterioration in the single family homes categories and a standstill for the condominium category. RBC's measures for both bungalows and two-storey homes rose by 0.4 percentage points, while the measure for condominiums remained unchanged.
- **Quebec**: affordability variations a mixed bag
Affordability levels in Quebec remain modestly worse than they have been historically for single family homes, which could be contributing to homebuyers' hesitation in pulling the trigger on purchases over the past year. In the first quarter of 2013, RBC measures were a mixed bag, with bungalows and two-storey homes rising 0.4 percentage points and 0.1 percentage points, respectively, and condominiums declining 0.6 percentage points.
- **Atlantic Canada**: cooling housing market keeps affordability attractive
Increasingly looser housing market conditions have reduced sellers' pricing power, keeping affordability fairly attractive in Atlantic Canada. First quarter measures rose very modestly, between 0.4 and 0.6 percentage points, for all categories tracked by RBC.

The full RBC Housing Trends and Affordability report is available online, as of 8 a.m. ET today, at rbc.com/economics/market/.

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